<u>Unofficial Transcript</u>

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Call Participants: **and Fabiola Ravazzolo ("FR") (New York Federal Reserve Bank)**

: Barclays.

FR: Hi, this is Fabiola. Is that

: Fabiola, hi.

FR: How are you?

: Good afternoon to you. Yeah, I'm fine.

FR: Good afternoon. [laughter] Finally Friday.

: Yes, thank goodness.

FR: Are you busy busy, or…

: No, I'm not.

FR: Okay, great. I'm happy because usually I mean, all these, yo-you're always busy so I thought

: [chuckle]

FR: [inaudible] Now it's Friday morning and

: No, it's been a

FR: Let's hope I can…

: Quiet, quiet week, actually.

FR: Yeah. How are you anyway?

: Yeah, I'm fine actually. I'm fine

FR: Are you i-…

: And you, is everything well?

FR: Uh I'm okay. I mean, I think I, I just, you know I manage to relax a little bit in the last two weeks because I mean markets have calmed down a little bit so I feel much better. Me, [laughter] you know we have this intense week over Easter, it was, it was very intense.

: I'm glad you haven't picked up an American accent yet.

FR: No, will never! [laughter]

: [laughter]

FR: I have a, a mix um, a group of friends, so, I have my American friends and I have my European friends.

: Oh right [chuckle] okay.

FR: So, including British, so I'm always uh you know…

: That keeps the balance, right?

FR: Ex-exactly. I try to keep a balance and uh [chuckle]

: Yeah

FR: And then s-still, you know, in um the American English they have a very different, sometimes you have different words.

: Yeah.

FR: So I'm still

: Absolutely.

FR: I'm still stuck on my, on my British words

: [chuckle]

FR: Like apartment, not flat.

: [chuckle] Good.

FR: [laughter]

: Good.

FR: So I'm still not uh, no, no, no, no, I don't want to go on that way.

: [laughter]

FR: I mean, I just I wanted to have an exchange of views of anything new, recent developments, um, and also I have a particular question that I wanted to ask you.

: Yes?

FR: And this is regarding the um BBA, so the British Bank Association, fixing, when they fix the LIBOR for the Dollar, for the Euro, for the Sterling, but, I mean, I knew, I know the panel of the bank is very small, it's sixteen versus for instance the EURIBOR you have the European Banking Federation is forty nine I think?

: Yeah.

FR: But, how reliable is the BBA for instance because you have only sixteen banks? Is it the same framework that the EURIBOR so banks they, they just report the the average rate for what they were lending or is it different?

: You're supposed to publish, um, the rate at which you could borrow money.

FR: Ah, you borrow, not lending?

: No. So you're supposed to, and that's the definition of LIBOR is actually…

FR: But, did it, did it did this change recently, was not lending before?

: Uh, it changed a while back, not, not recently and not, not in response to um

FR: Okay.

: The current financial con-uh-ditions either.

FR: Okay.

: So that there has been a change but it was a while, a while ago.

FR: Was a couple of years ago?

: Yeah, yeah.

FR: Okay.

: But wh-when you actually look, read the actual definitions

FR: Yeah.

: On the screens

FR: Yeah.

: It does actually say that it is where we could um borrow money.

FR: You could

: So where, um…

FR: Borrow, so not necessary where you are borrowing?

: Yeah, because the-the panel is supposed to be, a, um, a panel of prime banks

FR: Yeah.

: And so it's where those banks, um, decide they, they could actually borrow cash in the interbank market.

FR: Mm hmm.

: Now, um, you know, obviously there has been a lot of speculation about LIBORs and, you know

FR: Mm hmm.

: I've read some really interesting articles about them.

FR: Mm hmm.

: Um, and uh, w-, you know we, w-we, we strongly feel it's true to say that

FR: Hmm.

: Dollar, Dollar LIBORs do not reflect where the market is trading which is you know the same as a lot of other people have said.

FR: Mm hmm.

: Um, wha-, it depends on which part of the curve you're looking at.

FR: Mm hmm.

: Um, currently, we would say that in the three months, um, if we as a prime bank had to go in the interbank market and borrow cash, it's probably eight to ten basis points above where LIBOR is fixing.

FR: So you're above ten to fifteen?

: About eight or ten above. If, if, if we had to go in the market and

FR: Yeah.

: Properly borrow money, it would be

FR: Yeah.

: About eight to ten above and in the one year

FR: Okay.

: It would probably be about twenty basis points in the market.

FR: And, and why do you think that there is this, this discrepancy? Is it because banks maybe they are not reporting what they should or is it um…

: Well, let's, let's put it like this and I'm gonna be really frank and honest with you.

FR: No that's why I am asking you [laugher] you know, yeah [inaudible] [laughter]

: You know, you know we, we went through a period where

FR: Hmm.

: We were putting in where we really thought we would be able to borrow cash in the interbank market and it was

FR: Mm hmm.

: Above where everyone else was publishing rates.

FR: Mm hmm.

: And the next thing we knew, there was um, an article in the Financial Times, charting our LIBOR contributions and comparing it with other banks and inferring that this meant that we had a problem raising cash in the interbank market.

FR: Yeah.

: And um, our share price went down.

FR: Yes.

: So it's never supposed to be the prerogative of a, a money market dealer to affect their company share value.

FR: Okay.

: And so we just fit in with the rest of the crowd, if you like.

FR: Okay.

: So, we know that we're not posting um, an honest LIBOR.

FR: Okay.

: And yet and yet we are doing it, because, um, if we didn't do it

FR: Mm hmm.

: It draws, um, unwanted attention on ourselves.

FR: Okay, I got you then.

: And at a time when the market is so um, gossipy, and

FR: Mm hmm.

: Prone to

FR: Mm hmm.

: Speculate about other names

FR: Mm hmm.

: In the market

FR: Mm hmm.

: It's um

FR: Mm hmm.

: Not a useful thing for us as an organization

FR: Mm hmm.

: To do. And in fact, wha-what we've noticed is almost like um, a um, um perverse thing where people that we know that are paying for money actually put in the lowest LIBOR rates.

FR: Okay.

: So it, it's almost to um, you know the ones that need cash the most put in the lowest, lowest rates.

FR: Mm hmm.

: Uh…

FR: And isn't this, uh, now questioning their LIBOR as a benchmarker? The role of, its role as a benchmarker, because you know

: Currently

FR: If uh, if everybody

: Currently, even though

FR: You know, because probably everybody's

; You know…

FR: Knowing about this so…

: Yeah, well that's the thing you know and I'd, I'd have to say, it-it's definitely not, not, not the case in the EURIBOR fixing

FR: Yes

: And it's not

FR: I wanted to ask you, um.

: Really the case in the LI- in the Euro LIBOR fixing.

FR: Okay.

: And, not really the case even in Sterling.

FR: Okay.

: Um, you know, all of our markets, there's not much cash available in term.

FR: Okay.

: You know, that's, that's for sure.

FR: So it's

: And…

FR: Mainly in the Dollar part anyway?

: Yeah, and, you know, I could kind of say, well, you know, um, yesterday for instance I think

FR: Mm hmm.

: We, we put in

FR: Mm hmm.

: For our EURIBOR, you know, London LIBOR and EURIBOR, we put in something like four seventy four or four seventy five, four seventy five

FR: Mm hmm.

: And I think, think we fixed at seventy four and a half

FR: Mm hmm.

: And, on that day we had picked up about five hundred million three month Euros at rates from seventy

FR: Mm hmm.

: To sixty five from various

FR: Mm hmm.

: All, all out of French money market funds.

FR: Mm hmm.

: So, we could have maybe said, you know, that our LIBOR was lower because

FR: Um.

: We were borrowing cash there, but, we, we didn't put it in lower because we knew if we went into the money market brokers and tried to borrow cash it would be at a higher rate.

FR: Okay.

: So, you know, all-all day long there was like one or two guys trying to lend some money at seventy six, seventy five or whatever.

FR: Mm hmm.

: So it was, it-it was a fair reflection seventy four and a half of where

FR: Um.

: You could borrow Euros. But in the Dollar market, people are putting it down below

FR: Mm hmm.

: Where they could actually borrow. Now, you know, it's the same uh thing, some, uh, people might say, well, you know, sss-, this-this bank and this bank called me or this central bank gave me or things like that, but it's not interbank.

FR: Mm hmm.

: You know? And-and it if-if we kept it to a spirit of interbank

FR: Mm hmm.

: Dealers, cut out money market funds, cut out central banks, cut out cor-corporates

FR: Mm hmm.

: And purely based it on the spirit of it, um, interbank dealers, where the money is available, where I would be able to borrow in the interbank market

FR: Mm hmm.

: Without, w-without question it-it would be higher than the rate that I'm actually putting in

FR: Okay.

: For, for Dollars.

FR: I understand.

: Um, not, y-you know, like-like I say, uh, you know it's imp-por-por-portant to say it's not really the same thing in Euros and in Sterling.

FR: Okay, it's only mainly in Dollars.

: In Dollars, yeah.

FR: And because of also this things that is going on and all these crazy issues

: [inaudible]

FR: And it's all part of the Dol-…

: If I wanted to, um, borrow

FR: Mm hmm.

: A lot of

FR: Yeah, Mm hmm.

: Um, three month Dollars

FR: Yeah.

: You know, I need three month

FR: Mm hmm.

: Dollars

FR: Mm hmm.

: Um, it's like, if I start to say that the LIBOR's a lot higher and then people

FR: Mm hmm.

: Start to say, well why is he fixing a lot higher than everyone else? Do-do you know, it's actually going to make it harder for me to borrow that cash?

FR: Yeah. No, no, it's clear, it's clear

: Uhh.

FR: You ma-, it makes sense, uh, now I mean

: So…

FR: You know, I miss a different picture honestly, because I've been mainly focused on the Euro but now on the end of that I completely understand is that you know, I mean, you remember I was in behind EONIA so I remember when we were looking at rate you always question is correct so you just check, uh, so I'm-I'm c-, I'm very suspicious or I'm very curious or, let's say, I find bizarre that who is responsible to com-, to collect this, er, you know, data, they're not questioning banks just to see you know, that the, the level of the rate during the day is very different from

: Yeah.

FR: What i-is fixed.

: I mean, we-we-we've we've all received letters

FR: Mm.

: From the

FR: Yeah.

: British Banking Association

FR: Okay.

: To remind people of their

FR: Yeah.

: Obligation

FR: Yeah, but this is, mm hmm...

: Uh, people, people haven't really…

FR: I understand, I understand

: Um…

FR: You have a business and I completely understand the story, ah, but you know uh, if everybody has got a similar approach so one can also overcome this article on the FT or whatsoever

: Yeah.

FR: It's that you are penalized just because you are honest the way somebody else that is dishonest, eh, you know that's an advantage so that's why I was thinking in that direction but

: Yeah, yeah.

FR: I understand. No, no and I completely understand the, the point is that ah you know, you, you, you always try to, to try and help for everybody you know, and this is so bizarre what is going on in the market

: It is bizarre. Yeah

FR: Because this is creating

: We felt very un-, very

FR: Uncertainties.

: I mean we, it- it's true words to

FR: Um.

: Say we feel very

FR: Yeah.

: Very uncomfortable with it.

FR: I understand now.

: But, the-the position we find ourselves in, is one where we can't really fight it.

FR: I know, I know

: Um.

FR: You have to accept it. I understand

: Yeah.

FR: Despite it's against what you would like to do.

: Yes.

FR: I understand completely

: Yeah.

FR: So that's why, one would like to think how can we avoid the other people do it? You know? Or, or the situation will return and uh, I don't know it's not…

: It's very much a confidence thing still in everything.

FR: Exactly, it's a confidence

: But you-you know, well just gonna say

FR: Hm.

: One, uh, thing

FR: Yeah.

: I-I actually read, read an article from another firm today

FR: Yeah.

: Actually

FR: Yeah.

: Which was actually talking about that it may be understated by twenty to thirty basis points

FR: Yeah.

: But we don't think that that's the case actually,

FR: Okay.

: Fab-Fabiola

FR: It’s only ten, fifteen, yeah that’s [inaudible] mm hmm.

: We, we, we would say in the three months

FR: Yeah.

: Right now it’s about eight, eight to ten basis points.

FR: Eight to ten.

: There, there have been a few times when it’s been higher

FR: Yeah.

: But right now

FR: Yeah.

: It would be about eight to ten and in the one year

FR: Mm hmm.

: In the one year it’s probably about twenty.

FR: Okay, that is good.

: Alright, but you know different, different

FR: Mm hmm.

: Um, gaps on different part of the curve the further out

FR: Yeah.

: You go, you probably find that there’s more of a dislocation

FR: Okay, yeah.

: Between where, where you would be able, I-I mean I would say

FR: Mm hmm.

: Barclays Bank would be definitely in with all the prime banks there

FR: Mm hmm.

: And we're not unusual in any way

FR: Mm hmm.

: If, if, if, if we can't borrow money at that rate

FR: Mm hmm.

: Then, no one else could really, you know

FR: Mm hmm.

: I mean we, you-you know we speak to everyone that everyone else does, so

FR: Mm hmm.

: Um, yeah it's, it's a quite, quite an uncomfortable feeling, and

FR: I understand.

: I don't know if at some stage LIBORs will correct themselves.

FR: I hope so. [laughter]

: If, if we go on for a period of time it might be

FR: Yeah.

: That we, just find that the market wants to actually say, d'you know what, if we all start, start

FR: Mm hmm.

: To say that LIBORs are higher then

FR: Mm hmm.

: We might have that type of thing and that, that would be good because we need it

FR: Mm hmm.

: To be a transparent fixing.

FR: Yeah, and what about the rest of the money market? I mean, I see that the spreads have remained elevated, I mean, so…

: Yeah. You kn-, y-you know just, just when w-we had, um, the announcement of coordinated liquidity measures on, you know, the eleventh of March,

FR: Yeah.

: And we might have been thinking, well we were thinking at that time that when those, um, new actions settle, that we might see some, um, easing back and then

FR: Mm hmm.

: The first month of a new quarter, April

FR: Hm.

: We would generally associate with that. So we were looking forward

FR: Mm hmm.

: To some easing up of conditions in the market. So and then, you know, I think the first big, big thing that happened was Bear-Bear-Bear Stearns.

FR: Yeah.

: In fact, the real big news was Bear, um, Stearns.

FR: Mm hmm.

: And um, I think that that just made people further entrench on, um, uh, keeping li-liquidity. And so, money market guys have just turned into liquidity managers and um, we don't trade interest rates with, with cash anymore, you know, definitely not. It's t-, you know, totally a liquidity product and so, it-it doesn't matter what the price of these

things are, it doesn't matter how tempting the yields are in the term markets, our overriding concern is liquidity

FR: Mm hmm.

: And keeping liquid. And um, I think y-you know, we can definitely see that there's lots of cash available around in the overnight. And, y-y-you know, D-Dollars, Dollars is a good, um, indication where the Fed fund effective rate tends to be very close to Fed funds target every day.

FR: Mm hmm.

: But we tend to have quite a range on where it trades actually.

FR: Mm hmm.

: And, not so much today but it's still a fair premium over still about twenty basis points over.

FR: Mm hmm.

: But, we have had times when it's been like seventy five, you know, been trading up at three, um, percent.

FR: Yeah.

: And, um

FR: Mm hmm.

: You know, there were, there were, but, but the Fed funds effective was always close to target.

FR: Mm hmm.

: And, uh, I-I think it just caused, um, a further kind of nervousness about who's gonna be next to go, etcetera, etcetera. And, uh, uh, I have to say, I think if the, the, we-we're all very thankful to the Fed for the actions that they took

FR: Mm hmm.

: Because when we came into work, um, after that, ya know, we could

FR: Yeah.

: Have been fen-, facing a real

FR: Yeah.

: Uh, you know, real severe problem

FR: Yeah.

: I-I mean it's bad, but it could have been a lot, lot worse.

FR: Yeah, mm hmm.

: Um, and y-y-you know, we're, we're at very elevated spreads, um…

FR: Mm hmm.

: Yeah, I-I think it actually shows up in Sterling more than any other market.

FR: Mm hmm.

: Um…

FR: Exactly, is something different going on there?

: Yeah, they, they feel unloved by the Central Bank.

FR: Okay. Is the Central Bank less active in other words?

: Uh, yes, you know that

FR: Mm hmm.

: I-I know that sounds very

FR: Yeah, mm hmm.

: Unfair on

FR: Mm hmm, mm hmm.

: The Bank, Bank of England, but that's, that's the sentiment in the market.

FR: Okay.

: Ya know, I-I don't

FR: Mm hmm.

: Believe that it's anything like as black and white as that

FR: Yeah.

: You know, but, I-I think what, what, what we sense is like some-, say like the ECB is ready to try everything.

FR: Mm hmm.

: The Fed seems to be, um, very pro-proactive, but we sense that the Bank of England wants to know that something will work before it tries it.

FR: Okay.

: You know

FR: That's really clear.

: Yes.

FR: Mm hmm.

: Yeah, that sort of a feeling and so

FR: Mm hmm.

: Um, we, we did hear from the Bank, Bank of England this, this week. You know they, they increased the long term repo from ten to fifteen billion.

FR: Mm hmm.

: Um, five billion extra, I think people were a bit disappointed that it wasn't more. But, but at the same time the Bank did say that they were going to announce, um, more liquidity measures.

FR: Mm hmm.

: Um, so y-you-you know w-we will hear more from the Bank

FR: Mm hmm.

: Um, but…

FR: Yeah, more than usual, but still in-in comparison

: Yeah.

FR: With the Fed or the ECB…

: Well, y-you know so

FR: [cough]

: Just, just, just at a time we might have been expecting spreads to start narrowing

FR: Mm hmm.

: In again, Bear, uh, Stearns I think was a catalyst for, um, um, y-you know entrenching people's more, um, pessimistic views and on the liquidity side of it and things, things have definitely worsened since that day. Um, and, and, now th-the real sort of focus for everyone is the June quarter end, the half year, and, um, that, that seems to be a real sort of barrier in the money markets where, um, you know, lenders of liquidity don't seem to want to cross over that so whether it was Sterling, Dollars or Euros there's not much cash available, um, past the June quarter end. And, on the other side of the same tra-trade is that

FR: Mm hmm.

: There seems to be a lot of demand for cash there.

FR: Mm hmm.

And y-you know you can really notice that in the Sterling market where, um, we had, um, a creep up in three months LIBOR up to six-six percent and then when people think that the Bank of England was ready to cut interest rates, it was pretty much an expected cut. Um, the bidders for cash pull-pull-pulled away for a few days just to see if they would get money cheaper so we saw LIBOR come down to not five ninety two.

FR: Mm hmm.

: Then they cut twenty five and LIBOR is actually five ninety two still, because

FR: Mm hmm.

: Because now the takers of cash are back in the market and so it actually feels like LIBOR wants to go higher.

FR: Mm hmm.

: Um, so, wh-, uh, an even wider LIBOR OIS spread there, and, y-you know the worrying thing is that the June LIBOR OIS spreads are all rather high.

FR: Mm hmm.

: Um, you know up at about, um, eighty six in Sterling and, um, um, seventy five in Europe and I think it’s about seventy one in the U.S.

FR: Mm hmm.

: Market.

FR: Mm hmm.

: So, at, that’s a high level for some-, you know, for two months forward

FR: Mm hmm.

: Where usually we're a bit more optimistic that things will narrow, so

FR: Mm hmm.

: Now I think that, that reflects, uh, y-you know quite a pessimistic outlook in the markets currently.

FR: Mm hmm, mm hmm. I understand. [sighs] Any suggestion for us?

: Um, you know, I think what we will probably see is y-y-you know

FR: Mm hmm.

: You know, the last

FR: L-looking forward, you know, yeah.

: Well, well the last Dollar um TAF the demand for that

FR: Yeah.

: LIBOR plus ten etcetera so I think people kind of figure that the um Fed will probably provide more liquidity through the Dollar TAFs.

FR: Okay.

: I think, we, looking at the term securities lending facility

FR: Yeah.

: Probably we're thinking it's not as effective as we would've liked, and

FR: Okay.

: We think that the um, underbidding yesterday there

FR: Yeah.

: The under sub-sub-

FR: Yeah.

: Subscription, y-you know, obviously wasn't anything to do with re-relaxed funding but it was more that people didn't have enough of that type of collateral to put into

FR: Okay.

: The operation. You know the Dollar TAF is

FR: Yeah.

: Wider and so that there wasn't enough collateral there. So, um, if there's some way that that can be made a bit more effective and if there's more money av-available at the TAFs that, that in itself will be useful.

FR: So you advice, um, more at the TAF then?

: Yeah, I think

FR: Okay.

: I-I think we could do with seventy five in both actually.

FR: Okay.

: So quite a big jump I know but when you look at

FR: Okay.

: The demand

FR: Mm hmm.

: For them…

FR: Okay.

: You know that would, you know I would rather see that a Dollar TAF

FR: Yeah.

: Um was um pretty near, you know if it was seventy five billion and now only

FR: Yeah.

: Received seventy five or if they received only sixty.

FR: Mm hmm.

Because what-what-what would actually happen then is everyone would start-start to say funding pressures must've eased

FR: Yeah.

: And things would, confidence can come back quite quickly into these markets and so,

FR: I understand.

: But when-when we see that the demand is so high for this it actually

FR: Mm hmm.

: Kind of scares people off the other way around.

FR: Okay.

: So yeah, large-larger size of the Dollar TAFs and if there's something that can be done to um, make the um, term securities lending facility a bit more effective, I think

FR: Mm hmm.

: That, that, th-those two things in themselves will be good.

FR: Like what?

: Ah…

FR: W-w-h-how can we make them…

: Well you see the-the-the tr-trouble is

FR: Mm hmm.

: Fabiola, that

FR: Yeah.

: Really w-w-when, when people are sort of saying we haven't got enough of the type of assets

FR: Yes.

: That we can put into there

FR: Yeah.

: I think what they're really sort of saying is please, please can you sort of widen it even further and

FR: Okay.

: Let us put in some

FR: Okay.

: Of the things that we could put into the Dollar

FR: Yeah.

: TAF.

FR: So wider list of collateral [inaudible] the TAF.

: Yeah, a wider list of collateral but then

FR: Okay.

: I guess there needs to be negotiations about what sort of margin for that, etcetera.

FR: I know,

: Ah…

FR: But uh, you know, for me is al-already important to know about this and um

: Yeah.

FR: You know…

: I think those are the type

FR: Mm hmm.

: Of um

FR: Mm hmm.

: Things you know, and

FR: Mm hmm.

: Y-you know the other um thing that I-I-I think we find a lot of comfort from on the mon- money markets

FR: Mm hmm.

: Is seeing overnight rates close to their policy rates.

FR: Okay, stab-more, more stability.

: Yeah. Y-you know…

FR: In other words you are able to price term funds and all these Fed fund rates and all these [inaudible]

: Absolutely because then things like the EONIA derivatives market

FR: Yup, mm hmm.

: We don't start to see their bid offer spreads widen out, you know, at least

FR: Yup.

: We see some segments of our market performing well

FR: Yup.

: And then at least off the back of that we can trade LIBOR OIS spreads and things, things like that

FR: Yup.

: But imagine if um overnight Euros started to get very dis-

FR: Yup.

: Dis-dislocated then…

FR: Like do you remember September?

: Yeah, then the EONIA

FR: Mm hmm.

: Guys are gonna say we can't trade this, we can't hedge this

FR: Yup.

: Prices get wa-

FR: Yup.

: You y-y-you know so it's, it's im-por-por-portant to anchor the overnight

FR: Yup.

And more, more, more so, so that we kind of know that at least this is one point of the curve where we can k-kind of have an understanding of where rates will trade.

FR: Mm hmm.

: Um you know we can make our own decision about policy rates but at least we know where they will trade you know relative to policy and we can you know square ourselves up every day there as well

FR: Mm hmm.

: And that money is liquid etcetera so, so that, and more U.S. Dollars I, I would say are the are the two things that um, we kind of asked for but, but again I-I'm putting myself in a position where, and I hear this from all the other banks, it seems like us banks are just always asking Central Banks for things, and y-you know I think ultimately y-y-you know banks need to sit-sit down as well

FR: Mm hmm.

: And we need to kind of clear the table with ea- with each other, you know. We need to um make this uh, I know people use all these words like transparency and that they're all very easy to, to say but fundamentally at the bottom of this for instance at Barclays Bank, what is stopping him lending three month Euros to

FR: Yup.

: Uh, BNP Paribas Paris at four seventy, instead of lending him some overnight money at three ninety?

FR: Okay. Mm hmm.

: You know there's eighty basis points there. Um, I, I need to be able to start trading back for interest rate views and compelling interest rate views and yield and carry rather than just on the liquidity side, you know, and I need to sort of start feeling to myself, um, I don't need to be scared of all my interbank counterparties. I don't need to fear that if I lend them some three month money that during those three months they might go broke and not be able to pay me back, you know?

FR: Mm hmm. Mm hmm.

: Um, so I-I kind of need to um, kind of educ-educate myself a little bit you know, I need to get, get my own confidence levels up as well, Fa-Fabiola.

FR: I know, me too. I, ma- you know now I need to go back and study again and thinking about and understand the whole thing, I mean. So far I try to be behind the reprice action and running behind but now that the situation has come down I really need to think about, really

: Yeah

FR: And, and im-improve myself and educate myself as well because there are so many new things and

: I know

FR: I don't know.

: And all these new things about LIBORs. You know

FR: We need to think about how

: [inaudible]

FR: Everything is linked, you know.

: Yeah, I-I'm almost thinking instead of LIBORs we should do LI-LIBIDs.

FR: LIBIDs?

: Yeah.

FR: Okay.

: Not, not call them LIBORs and then people could just say I lend money at whatever spread you want above that, but there'd be like a LIBID reference rate or something you know

FR: Okay.

: Of that sort of nature, well why not call it the bid, bid, bid side of the market instead of the offer?

FR: Yeah, okay.

: And then you know the lending spread is individual to each particular bank.

FR: Yeah. Yeah.

: Um, but y-y-you know also um t-talking to a lot of our sales people here, the ones that speak to hedge, um, funds, it's, it's quite obvious that a lot of the bigger more active sort

of trading derivatives guys in London like Brevin Howard and Blue, uh, Crest that they've been um, um on the bandwagon if you like of looking for higher LIBOR OIS spreads and they're still trading that, that way round of it and they're, they're quite aggressive in the market. So you know, the kind of big traders at a lot of firms are all trading on the negative side of it and, um, you know I have to say, I look at Europe and where our spreads, spreads are now and the June IMM and I've actually been trying to go the other way round to that. Actually trying to sort of, um, you know, trade that spreads are very high, that June is two, two months away, um, that um, I'm more hopeful that you know continued Central Bank liquidity measures and time will y-y-you know bring back some confidence to the market. So, I was actually y-y-you know trying to sort of come to a view to trade the other way round, but that's certainly not typical of, um, market flows. You know, the market wants to trade for wider LIBOR OIS spreads.

FR: Okay. Okay, I think like usual we had an interesting conversation.

: Yeah it's ni- always nice to talk to you anyway Fabiola.

FR: Yeah I always enjoy as well. [laughter] It was very useful and uh, I have a lot of things that I'm looking after so I hope I have a better picture so I call you again maybe next week to discuss

: Okay.

FR: Something more because I really try to understand als- all the links across already from a markets segments, repo market and the different players and where things are different in Europe respect to the U.S., where there can be a problem. I'm going to really try to educate myself and you know be, o-open mind.

: Yeah.

FR: You know?

: No, it's unfortunate [inaudible]

FR: Here it's very important what is going on and we really try to understand e-everything, we just don't focus on the Dollar market we focus on everything to really try to see any behavior that we, we really can get some information, we can, we can really understand more.

: Yeah no it's interesting

FR: Mm hmm.

: If you put all the little bits of the picture together

FR: Yeah.

: You know hopefully it makes some, some

FR: So

: More sense.

FR: I'm here with chance to try to build up things. [laughter]

: Yeah. [laughter]

FR: So maybe I call another time next week when you're quieter

: Yeah sure, sure.

FR: Not on a busy day.

: Fabiola any uh time, okay?

FR: Mm hmm. Okay thanks a lot.

: You have a nice weekend.

FR: Have a great weekend. Bye .

: See ya, bye.

Unofficial transcript of telephone call on 10 October 2008 between
and an individual named Mark at the Federal Reserve Bank of New York. They were linked up by telephone by an unidentified staff member from the Sales Team in NY ("Unknown in Sales Team"). Barclays notes that the following transcript was prepared without the aid of a professional court reporter. However, Barclays believes that the transcript herein is complete and accurate.

: [Answers telephone]

Unknown in Sales Team: Hey Hold on one sec... Hey are you there sorry?

Mark: Yep

Unknown in Sales Team: Hey I have on the line who's trading the er dollar, front end of the curve for us.

Mark: Oh okay, Right, right.

Unknown in Sales Team: are you there mate?

: Yeah, I'm here.

Mark: Hey it's Mark at the New York Fed (NY Fed).

: Yeah, hi.

Mark: I was just wondering of you can provide any colour on what's happening I guess with the dollar libor fixings... I mean it looks like the front end of the curve people, the overnight tenor declined sharply... um...

: Yeah, that was ahh... we sort of... got a feeling from yesterday's overhang that maybe dollars would be cheap today er. There's been a lot of tiering.

Mark: Mm mm.

: Ah, I mean certain names have been paying up for money. We sort of don't really need too much money today, we don't think, so we' re being fairly unaggressive. In fact, someone's just given me some money at 0.2%.

Mark: Mm mm.

: Ah, but I think generally speaking, the market is probably 3%, 2% something like that with a few names paying the top. So, so, so the overnight market today is working very well. I would say that a couple of days ago it was not working well at all err, that's sort of after the RBS downgrade when everyone was scrambling for cash. Now they're still looking for cash, but there's not that panic that there

was a couple of days ago. Um, libor's further out. I think it is just getting to where they should have been a week ago.

Mark: Mm mm.

: I don't know if you've looked at my libors but I've kept mine the same virtually every day for the last week and everyone seems to be gradually sort of coming up to my levels, and I can tell you that I'm putting levels in that I' m not sure I can trade or not, but I know they're more realistic than anyone else's. For instance today, there has been one offer of cash in one month and beyond. That was a 5.5 offer for 50 million one month out of Hong Kong. So, should I be going 5% my one month? I'm not really too sure, but I mean, you've got to go somewhere, haven't you?

Mark: Mmm mm.

: Um... so there is no term cash.

Mark: Right

: Ah, and it's the same story as it's been for the last two weeks. There's no term cash. The money funds don't want to do anything. Certainly with the state of. Every day a different bank goes down or there's different rescue packages, everyone's waiting for G7 you know there's always something this sort of 10% drop in Japanese stock exchange, you know. I mean the FTSE's down nearly 10%, so, you know, there's a sort of feeling the feeling we get is that.

Mark: You don't buy BTs(??) or anything.

: It is now going to start impacting the feelings of the man in the street. I think before that I should say that it was something that was happening in banking.

Mark: Right.

: Now, with stock markets dropping, you know 10%, 10%, this is people's pensions and things. You know we saw the thing with the Iceland, well. The UK banks, well the UK savers in Iceland, that, that crystallises people's thoughts, and so I think that we're sort of reaching a new stage in the game whereby the CPFF is really good but, not sure it goes far enough, it just gets you back to where you were in August.

Mark: Right.

: ... and what we've been seeing certainly here and probably you'll find at most banks is the amounts of unsecured money they're having to raise in the market is going up, not just because they have roll downs of liabilities, but also because the

amounts of money that they have to lend internally um is going up because of things like increased haircuts, which obviously make the amount of unsecured money you have to borrow more, ahh, tighter collateral requirements, also just former avenues of securing finance sort of not really working all that well, like equity repo...

Mark: Mm mm

: ... and so... [To someone else at the desk - overnight trading at 1.5 coming out of New York, aah here] so overnight's working fine as I said. So, and RBS is still paying 2.5 so he needs money still.

Mark: Right.

: Um... So, I think, getting us back to where we were in August isn't really, is, don't get me wrong, it's incredibly useful, but I'm just wondering whether we need to be got back to August plus a bit. The UK guarantee to banks, again, it's a very, very positive thing but, a bit like the CPFF, no-one really knows the details, it's going to take several weeks to get off the ground, everyone is going to examine the guarantee and it's going to take a bit of time for things to start working there. So, again, that's sort of work-in-progress but that is very good news but... you know, the rumour came out that, you know, G8 were going to guarantee all bank deposits, and, you know that's.

Mark: How realistic do you think that is?

: Well, if you look at the amount of debt, or the amount of interbank lending there is, I mean, one of our guys has said there's something like 80 trillion, so I don't think that's realistic. What I think, and I know central banks don't like doing this, my view is that, everyone's talking about, "You've got to get into bank lending happening again. I don't think that's necessarily the important thing. I think the important thing is to get banks lending to the consumer.

Mark: Mm mm.

: ... to Joe Public so I think the way you do that, is you either do things like increase CPFF or you just um, do something similar, like just buying bank term CDs.

Mark: Mm mm.

: But I know central banks don't like doing that. But it's getting to the stage where everytime you and I think you guys tried to be ahead of the curve in the States, er everytime you throw the kitchen sink at the problem, it needs another sink and then another sink. Then there's euphoria for half a day then something else happens and the market plunges, something else has to happen, the the market plunges. It's almost as if, you know, you've got to me totally radical now.

Mark: Yeah.

: Ahh, because otherwise I had a fit of pessimism a couple of days ago. I think it was the day after RBS got downgraded when there was mayhem in the market and um I was thinking, you know, this is potential civil strife here because the banking system is just going to break down.

Mark: Mm mm.

: And people are talking. You know the papers and the news and the media over here are calling it, they're already calling it, "The Free Fall Friday".

Mark: Oh right.

: And that's going to hit the headlines, I can tell you, and people are going start worrying. So, I think it is. I can't overestimate the seriousness of the situation. And I'm not talking about it from a personal point of view or from Barclays or it's a systemic problem.

Mark: Right.

: And I'd love to know what you think because we've talked about what has to be done. Obviously, banks have got to replenish their capital.

Mark: Yep.

: But they also, they've got to start lending they've got to get the system going in some kind of way, shape or form.

Mark: Yeah, yeah. I mean, I think that, yeah, I mean certainly the gravity of the situation is, is ah very very, very important and very very serious and I think that everyone... well, there are many people out there that recognise the problem, but you know crafting the appropriate solution is ah as you well know, and have seen is somewhat challenging. I mean, we've tried things on our end and other global central banks have as well, and ah, you know, I can't imagine that those more senior than I will stop trying to do anything anytime soon.

: I believe you.

Mark: You know, I. We're obviously working on it and very concerned about all of this. [starts to make comment, but Mark from NY Fed asks,] My question to you though is, if I'm just looking at the libors and I see term go up very modestly and overnight decline very sharply, is this something that should be interpreted positively or is this just kind of a one off-type event, or is this having to do with

all of the liquidity that is getting pumped into the system and finally banks just saying," At least overnight they, they have enough"?

: Yeah, ahh I think you're partially true. I mean, libors, the term libors are going up because they were unrealistic before and I've got to say I look at one-month libor at 4.59, that's unrealistic. You know, any libor, ahh with a four handle on it, from one to three months is wrong in my book.

Mark: Mm mm.

: Um, I mean you know I'll pay anybody 5% for one, two or three months, and you know, worse... and you know Barclays is seeing a "flight to quality" to its name so it's not as if I'm a rubbish name and people don't want to lend me, it's just people haven't got the money to lend. Occasionally they will come out, they'll lend at far higher up. The overnight is the thing that we talk about a lot actually because, you know, because it's the only market, really that anybody can get any liquidity in.

Mark: Mm mm.

: Even getting tom next, spot next, spot a week is difficult. Um, it's very, very, very important to us because I think, we're seeing the banks around the world are relying more and more and more on overnight and I suppose the worry for us is, even if the overnight market is functioning really well, which today it is because it's coming off and people seem to want to lend it. Which is great, you know, three days ago and all they want to do is borrow it.

Mark: And I mean is that just because there is less sort of specific name concern out there?

: I think there's just as much specific name concern as there was before.

Mark: Then I mean, then, then I, I guess I'm still struggling to really understand why today in particular there would be such a sharp decline in overnight rates.

: Well I think ahh well I'm not an expert on the ins and outs of overnight, but it seems to me that there was a pretty large surplus in the system...

Mark: Mm mm.

: ... and it seems that there's an overhang and it seems that people have got money to go. So, you know, for us it's extremely important that overnight trades softly.

Mark: Mm mm.

: Extremely. Extremely imp. Or certainly has a softer bias during the day.

Mark: Yeah.

: That's the thing is that there's nothing worse than trying to take money when it's being bid up by everybody else. At least when it's coming off you can bid in the middle of the price, you' re going to get money. You know, your lender is happy to lend you because he feels he's got a deal and all that kind of thing. But er it, it's, there's definitely a lot of name tiering, um there's a lot of country tiering. I noticed the other day that um when we were having er, big trouble, I was paying 6% for overnight and my New York was getting it at 4%, so I just pulled out of the market.

Mark: Yeah. So there is name and country...

: Yeah, because US-based lenders... you know, in the old days, you know if you were ahh a US borrower and, say Barclays New York and Barclays London, there would probably be say maybe a three-tick differential.

Mark: Mm mm.

: Well, now it's, you know, you name it, you name it.

Mark: 100 basis points.

: Yeah, that's it, so. But I think going back to the overnight its great that it's very, very liquid and everything else, that's really, really important, but but the thing I was going to say was that you know, if banks really do have more and more and more ahh to fund on an unsecured basis in the overnights, there, they will be worried that there will come a time when the global credit limit for their name runs out.

Mark: Mm mm.

: And, you know, I'm sure that banks are doing exactly like what we're doing there. They're finding every single piece of collateral that they can get their hands on and put it into, you know, any TAF or whatever facility that they can. But they will still have money left over unsecured that they've got to borrow.

Mark: Mm mm.

: That, that I think is the problem. I mean, we've been working [clears throat, "Excuse me"] very hard in the last week to, to, you know, get things which are not absolutely necessary to take off the books, you know. "Is that necessary? No, right, you're not doing any..."

Mark: "Get rid of it", right.

: and I think every bank will be doing the same. I mean, one of the reasons that I'm so calm today is that I know that by mid-next week I'm probably going to have to borrow, probably at least 10 yards of dollars less on the overnight than I did um yesterday. So, I sort of, feel slightly better about things.

Mark: Mm mm. Okay. I will. I really appreciate all your time this morning.

: It's no problem. Ring me when whenever you need to.

Mark: Allright. Thank you.

: Thanks a lot.

Mark: Bye.

: Bye.

Unofficial transcript of telephone call on 24 October 2008 between and an individual named Tania from the Federal Reserve Bank of New York. They were linked up by telephone by an unidentified staff member from the Sales Team in NY ("Unknown in Sales Team"). Barclays notes that the following transcript was prepared without the aid of a professional court reporter. However, Barclays believes that the transcript herein is complete and accurate.

: [Answers telephone]

Unknown in Sales Team: Hey mate, hold on one sec. are you on the line?

: Yeah, I'm on line.

Tania from Fed in NY ("Tania"): Hi, I'm Tania. I'm calling from the NY Fed. How're you doing today?

: Yeah. Good thank you.

Tania: I'm seeing if I can get any colour you have on how your dollar is trading, where you expect libor to.

: Well, libor's going to come in at....three-month libor is going to come in at 3.53.

Tania: Okay. Which is....yesterday's er?

: Yesterday's...it's a touch lower than yesterday's but please don't believe it. It's absolute rubbish. I, I, I'm, putting my libor at 4% and I can tell you I've just gone through three money brokers in London, Prebon, ICAP and Tradition. Prebon have no offers at all in the market.

Tania: In one or three months.

: No, in three months, in three months. CAP have no offers. When I said, "Where can I get money if I wanted it?", they said "4.5". Ah, Tradition have got no offers. .They did have one offer out of Hong Kong at 4% but he's gone home. So basically.

Tania: Where you seeing offers in one month dollar?

: Offers. There's an offer and 3.5 in Switzerland in the one month.

Tania: In one month?

: Yeah, and I'm just going.

Tania: Has that improved over the.....I realise that liquidity's been absent, um, beyond maybe just a couple of weeks in libor, dollar libor um.

: Yeah, I think.

Tania: Are you seeing people extending further out……..?.........Maybe….A little bit more.

: No, I think the problem is that the market so desperately wants libors down it's actually putting wrong rates in.

Tania: Uh ha.

: Um, now what we did see, a couple of days ago we got given some money by Chase New York. You know that Chase is lending ones and threes. We got given at three and three quarters. He was lending at 4% yesterday, and in a new development, he then came into the market via the brokers…. and asked where Barclays paid for Euros. So, if he had given us Euros for our Euro bid, we could have swapped them into three-month dollars at 4.53.

Tania: Okay.

: So either he's trying to get himself a better rate on the dollar assets or he's just forcing us to go via Euros and pay up for dollars that way. Whatever way…whichever way you cook it…..I mean, I can't blame him for doing it, because he's getting himself an asset far better via Euros than he would via dollars, but that's the skew of the foreign exchange market. But basically what I'm saying is, ah, maybe this market shouldn't be selling libor at 3.5 but at 4.5. Because if money funds aren't coming in, and we did see money funds come in a couple of days ago, and they were buying at 3.75 ah, when libor was fixing at 3.55. Um, but if money funds don't come in…….. money funds can't arbitrage so basically they just look for straight dollar bids and, you know, issue levels, and that's fine, but you know for a bank such as Chase that can arbitrage it knows, it knows that it can get paid far more via other currencies. I mean, I can, just to give you a clue I got paid 4.30 in threes by my Tokyo, via the yen.

Tania: You got paid 4.30 for.

: For three-month dollars.

Tania: Three month dollars.

: By my Tokyo.

Tania: Mm mm.

: He's looking for yen. And, and so basically I have to say, dollar libors are incorrect and they're too low.

Tania: Why.

: Much too low.

Tania: If this is what you're seeing then why are these being set?...I mean I've seen Barclays is on the panel.

: Yeah, I'd love to know. I really would love to know. I mean, I think that.

Tania: Who sets it...I mean, who sends in exactly [dialogue overlaps between Tania and here].

: Well, I, I'd love to know. I mean there are various theories about it. Well one thing is that there is tiering in the market.

Tania: Mm mm.

: So, people like Rabo and Chase will be able to get money cheaper than say Barclays, RBS. I mean, West, Deutsche, Landesbank I don't know where he gets his libor indications from. I can't imagine anyone would want to lend him any money. There have been, recently you've had certain banks who I know have been paying 25 basis points over where they've set their libors...aah just the other day there was one bank who was paying 3.75, he sets his libor at 3.70. Um, it's you know,...why are people doing it? Well, there is tiering so that's one thing. I think people are afraid to be seen as um being ahh having, I mean if they have a high libor the market automatically assumes they're paying too much, but in a perverse kind of way if you put a low libor, it's almost as if the market knows that you're scared to put where you really think it is. I mean, I know that I'm consistently high, but I think I'm consistently correct. Um, and ah.

Tania: Allright, well thank you very much for your time. I appreciate it.

: No problem at all.

Tania: Take care.

: Thanks. Bye.

Unofficial transcript of telephone call on 27 October 2008 at 12:17 GMT between and an individual named Peggy at the Federal Reserve Bank of New York. They were connected by telephone by an unnamed staff member at Barclays. Barclays notes that the following transcript was prepared without the aid of a professional court reporter. However, Barclays believes that the transcript herein is complete and accurate.

: [Answers telephone]

Barclays staff member: Hey ? Hold on a sec…yep…….Hey ?

: Yeah, hi.

Peggy: Hello?

Barclays staff member: Hello Peggy, this is ahh ………. is on the line. He's our dollar deposit trader.

Peggy: That's great. Thank you so much. , hi good morning. This is Peggy from the New York Fed.

: Yeah, hi Peggy.

Peggy: Hi. I'm sorry for bothering you I just want to get a quick update on how dollar funding conditions are.

: Um, well I suppose the name of the game today ahh is emerging markets, ah and everyone is sort of worried about emerging markets and lack of liquidity therein. We're hearing overnight Romanian trading at anything up to 900%...ahh….overnight Mexico's trading up in the hundreds as well, so it's sort of…that's sort of causing a bit of a problem for the dollar market in….well for every market, it's not just the dollar market in that people are just very, very worried about sort of counterparties, liquidity, all the general thing that we were worried about last week. Now the one bright note on the horizon (we don't like to be negative all the time) is the CPFF.

Peggy: Yes. Starting today. Okay.

: So, if people take that up, ahh, we think it's actually pretty attractive funding levels. You know, if you make full use of it, it comes out at about OIS + 220, say….

Peggy: Mm mm.

: …ahh, you know, so if you're looking at an OIS of sort of around 90 at the moment, well you're getting money in at 310 with a libor at 3.5 and, you know, I've actually just had a run through with the brokers and there are people out here paying anything from 4% to 4.10 for 3 months and in fact just anecdotally a sterling bid at libor, sterling libor equates to a 4.45 bid in dollars at 3s so there's still a lot of pressure on the dollar market now. I

think the CPFF will not necessarily bring libors down as such because of the weight of offers of cash but just because people will be able to fund themselves in, you know, via this SPV, and so demand for cash should come down. Now hopefully, that will make these lenders of cash few and far between as they are actually lower their prices, but whether they do or not, it's another…..

Peggy: Hhhow, I mean, today, so how are you seeing the availability of dollars out there say compared to Friday?

: Well…

Peggy: Any change?

: Okay, I'll tell you what I've done. Uuum, I have been given a reasonable amount of dollars in one month. Um, three months, I've tried to take a 3.75 offer out of Hong Kong they couldn't do me. As at 11:00 London time there..were..no..offers. Now, I do know that um, according to my brokers, New York centre is asking if anybody's paying up in 2 months at the end of the month, so that's end of December money. They're also asking threes but they're asking a lot but they're not actually trading anything, or, or…

Peggy: Do you know what they're asking? What the level is?

: They're asking where people pay, but they're not actually showing any offers or giving any money away.

Peggy: Can I ask, the one month that you got, is it…um, how much, like… what level did you get that at if you don't mind me asking?

: err, I got it at anywhere between 3.25 and 3.40

Peggy: So a liiittle bit above libor then?

: Yeah, yeah, I mean I put my libor at 40 because I thought that that was a sort of, you know, if I was to go out and ask for money, that would be a reasonable level. But you know I could have probably put that five ticks down and that would have been…….and you know I couldn't have argued against it. Go any lower than that I probably would have argued. I put my 3 month libor at 3.90, really because just, because there is no money out there. The last…….

Peggy: Do you….I mean in terms of the libor settings, I mean, what are your just general thoughts too on them?

: Um, I can see why people are trying to push them down but don't think it's justified in, in…if you actually look at the strict definition of libor er, and ah, and also in view of the fact that money funds really aren't in the market and also I think er I told you before that if New York-based banks are going to come on and lend other currencies to produce

dollars, you should actually be seeing libors go up like, you know, I think I said, you know that our Euro bid on Friday would have, or on Thursday, would have equated to a dollar bid of 4.5%, so we could have got the money, but it would have been sort of a circuitous route, and in fact it would have had the strange effect of making libors go up because that's the only place where money was available.

Peggy: Alright. I see, Okay.

: So, it's...you know....it's a strange old thing where we've got this huge great forward foreign exchange skew in all periods. But you know, definitely dollars....if you can get dollars they are *definitely* the cheapest forward funding for *any* currency, apart from maybe the Hong Kong dollar.

Peggy: Really? Okay.

: I don't know. Do you have Bloomberg up on your desk?

Peggy: Yes, I do.

: Put up, "FX"....actually, put up "FXIA".

Peggy: [Tap, tap, tap] okay.

: ....and then it will come up with a, like a table.

Peggy: Oh...

: If you put "Swap Period 3", "Go",

Peggy: Three.

: "Go"

Peggy: Okay.

: ...then what you'll see is, that will show you....where it says, "Arb Rate", the second column from the right, that is basically....so you've got the....dollar's at 3.50 / 75 which is libor. It shows you that if you want to get money, at er 3 month Euro, libor, you can afford to pay up to 4.94%.

Peggy: Oooh wow!! Okay. Oh this is great, Thank you!!

: This is a really....this is what we look at all the time and....

Peggy: Okay

: ….at the beginning of the year when people were saying, “Why are you setting your libors so high?”, I was saying, “Well, I know the money funds are in but you can’t take away from the fact that other currencies are prepared to pay way over libor to get money in”.

Peggy: Right.

: And, um, now that money funds, because money funds can’t arbitrage. If they could arbitrage, believe me, libors would be higher.

Peggy: Okay.

: Because they look at all this and say, “Right okay. Well if I go and give 3-month Euros, I’ll have myself a dollar asset of 4.94”. And so, this is what we look at all the time. So you can see that….

Peggy: That’s great. Okay. thank you so much.

: That is a pleasure.

Peggy: Okay, looking forward to speaking again. Thank you.

: Thanks bye.

Peggy: Bye.